

**REPORT OF THE AUDIT OF THE
HARLAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HARLAN COUNTY FISCAL COURT

June 30, 2003

The Auditor of Public Accounts has completed the audit of the Harlan County Fiscal Court for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based on the work performed, the financial statements are presented fairly in all material respects. We have issued unqualified opinions on the governmental activities, each major fund, and the aggregate remaining fund information of the financial statements of Harlan County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Harlan County's major federal programs: Tucker Guthrie Memorial Airport Development Grant and Public Assistance Grant.

Financial Condition:

The fiscal court had net assets of \$9,968,613 as of June 30, 2003. The fiscal court had unrestricted net assets of \$3,173,034 in its governmental funds as of June 30, 2003, with total net assets of \$9,897,858. In its enterprise fund, total net cash and cash equivalents were \$64,298 with total net assets of \$70,755. The fiscal court had total debt principal as of June 30, 2003 of \$9,385,000 with \$535,000 due within the next year and a receivable of \$100,000.

Report Comments:

- The County Should Obtain Bids For All Expenditures Over \$20,000
- The Fiscal Court Should Review The Administrative Code
- The Fiscal Court Should Prepare A Schedule Of Expenditures Of Federal Awards
- The County Should Monitor Compliance With The Davis-Bacon Act
- The County Should Require Contractors To Submit Required Certifications Regarding Suspension and Debarment For Work Done On Federal Projects
- The County Should Comply With Terms of The Grant Agreement With The Federal Emergency Management Agency

Deposits:

The fiscal court and component unit's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
HARLAN COUNTY OFFICIALS	3
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	15
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	22
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	31
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	35
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	39
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	43
NOTES TO FINANCIAL STATEMENTS.....	49
BUDGETARY COMPARISON SCHEDULES	65
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	68
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	70
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	74
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	79
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	85
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	87
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	91
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	95
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Joseph A. Grieshop, Harlan County Judge/Executive

Members of the Harlan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Harlan County, Kentucky, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Harlan County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Harlan County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Harlan County, Kentucky, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has elected to implement Governmental Accounting Standards Board Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board.



To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Joseph A. Grieshop, Harlan County Judge/Executive

Members of the Harlan County Fiscal Court

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harlan County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 24, 2005, on our consideration of Harlan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discuss the following report comments:

- The County Should Obtain Bids For All Expenditures Over \$20,000
- The Fiscal Court Should Review The Administrative Code
- The Fiscal Court Should Prepare A Schedule Of Expenditures Of Federal Awards
- The County Should Monitor Compliance With The Davis-Bacon Act
- The County Should Require Contractors To Submit Required Certifications Regarding Suspension and Debarment For Work Done On Federal Projects
- The County Should Comply With Terms of The Grant Agreement With The Federal Emergency Management Agency

Respectfully submitted,



Crit Luallen

Auditor of Public Accounts

Audit fieldwork completed -
May 24, 2005

HARLAN COUNTY OFFICIALS

For The Year Ended June 30, 2003

Fiscal Court Members:

Joseph A. Grieshop	County Judge/Executive
Paul Caldwell	Magistrate
Raymond Hall	Magistrate
Jimmy Roark	Magistrate
Jimmy Roddy	Magistrate
Curt Stallard	Magistrate

Other Elected Officials:

Fred Busroe	County Attorney
Denny Pace	Jailer
Wanda Clem	County Clerk
Paul Williams	Circuit Court Clerk
Steve Duff	Sheriff
Jerry Blanton	Property Valuation Administrator
Phillip Bianchi	Coroner

Appointed Personnel:

Patricia Fields	County Treasurer
-----------------	------------------

THIS PAGE LEFT BLANK INTENTIONALLY

P.O. BOX 956
HARLAN, KENTUCKY 40631



PHONE (606) 573-2600
FAX (606) 573-3522
TDD: 1-800-247-2510
(FOR HEARING IMPAIRED)

Management's Discussion and Analysis June 30, 2003

The financial management of Harlan County, Kentucky offers readers of Harlan County's financial statements this narrative overview and analysis of the financial activities of Harlan County for the fiscal year ended June 30, 2003.

Financial Highlights.

Harlan County had net assets of \$9,968,613 as of June 30, 2003. The fiscal court had unrestricted net assets of \$3,173,034, in the governmental funds as of June 30, 2003. In the enterprise fund, cash and cash equivalents were \$64,298 with total net assets of \$70,755. Total debt for governmental funds principal as of June 30, 2003 was \$9,385,000 with \$535,000 due within one year.

Overview of the Financial Statements.

This management discussion and analysis is intended to serve as an introduction to Harlan County's basic financial statements. Harlan County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Harlan County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Harlan County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Harlan County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

Harlan County
Management's Discussion and Analysis
June 30, 2003
(Continued)

Government-wide Financial Statements. (Continued)

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) and compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Harlan County's governmental activities include general government, protection to persons and property, general health and sanitation, roads, recreation, social services, airport, debt service, capital projects, and administration. Harlan County has one business type activity-Jail Canteen.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Harlan County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Harlan County can be divided into broad categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Harlan County maintains eight (8) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road and Bridge Fund
- Local Government Economic Assistance Fund
- Harlan County Justice Center Corporation Bond Fund

Non-major Funds:

- Jail Fund
- State Grants Fund
- Federal Grants Fund
- Local Government Economic Development Fund

Harlan County
Management's Discussion and Analysis
June 30, 2003
(Continued)

Governmental Funds. (Continued)

Harlan County adopts an annual appropriated budget for each of its major governmental funds except for the Harlan County Justice Center Corporation Bond Fund which is not required to be budgeted. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Fiduciary Funds. These funds are used to account for resources held for custodial purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the programs of the County. The accounting used for fiduciary funds is much like that used for proprietary funds. The County has two fiduciary funds. They are the State of Kentucky and Harlan County Escrow Fund and the Clover Fork Nonstructural Flood Project Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Harlan County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2002	2003	2002	2003	2002	2003
Assets						
Current and other assets	\$ 3,790,020	\$ 6,713,923	\$ 45,555	\$ 64,298	\$ 3,835,575	\$ 6,778,221
Capital assets	7,653,290	12,568,935	10,608	6,457	7,663,898	12,575,392
Total assets	11,443,310	19,282,858	56,163	70,755	11,499,473	19,353,613
Liabilities						
Current and other liabilities	1,638,420	535,000			1,638,420	535,000
Long-term liabilities	364,177	8,850,000			364,177	8,850,000
Total liabilities	2,002,597	9,385,000			2,002,597	9,385,000
Net Assets						
Invested in capital assets,						
net of related debt	5,650,693	3,183,935	10,608	6,457	5,661,301	3,190,392
Restricted	666,447	3,540,889			666,447	3,540,889
Unrestricted	3,123,573	3,173,034	45,555	64,298	3,169,128	3,237,332
Total net assets	\$9,440,713	\$9,897,858	\$56,163	\$70,755	\$9,496,876	\$9,968,613

Harlan County
Management's Discussion and Analysis
June 30, 2003
(Continued)

Changes in Net Assets.

Governmental Activities. Harlan County's net assets increased by \$457,145 in fiscal year 2003. Key elements of this are as follows:

- Current assets and cash increased \$2,923,903 due primarily to increase in Justice Center Bond Fund.
- Investment in capital assets and infrastructure, net of related debt decreased \$2,466,758.
- Current and long-term liabilities increased by \$7,382,403 due to additional debt.

Business-type Activities. Harlan County's net assets increased by \$14,592 in fiscal year 2003. Key elements are as follows:

- Current assets and cash increased by \$18,743.
- Investment in capital and infrastructure net of related debt decreased by \$4,151 due to depreciation expense.

Financial Analysis of the County's Funds.

As noted earlier, Harlan County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds Overview. The focus of Harlan County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2003 fiscal year, the combined ending fund balances of County governmental funds were \$6,713,923. Approximately 85% (\$5,689,665) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$1,024,258) is reserved to indicate that it is not available for new spending because it is committed for the various encumbrances.

The County has four (4) major governmental, and four (4) non-major funds.

Major Funds:

- General Fund
- Road and Bridge Fund
- Local Government Economic Assistance Fund
- Harlan County Justice Center Corporation Bond Fund

Non-major Funds:

- Jail Fund
- State Grants Fund
- Federal Grants Fund
- Local Government Economic Development Fund

1. The General Fund is the chief operating fund of Harlan County. At the end of June 30, 2003 fiscal year, unreserved fund balance of the General Fund was \$2,355,676, while total fund balance was \$2,819,386. The County received \$2,761,567 in real and personal

**Harlan County
Management's Discussion and Analysis
June 30, 2003
(Continued)**

Financial Analysis of the County's Funds. (Continued)

Governmental Funds Overview. (Continued)

1. property, motor vehicle, and other taxes for approximately 48% of the county's general revenues. Various grants, other service fees and miscellaneous revenues contribute to the remaining 52% of revenues.
2. The Road and Bridge Fund is the fund related to County road and bridge construction and maintenance. The Road and Bridge Fund had \$5,337 fund balance at June 30, 2003. The fiscal year 2003 expenditures for Road and Bridge Fund were \$1,814,349.
3. The Local Government Economic Assistance Fund had a fund balance of \$348,311, a decrease of \$99,873 over the previous fiscal year end.
4. The Justice Center Fund is used to account for the construction of the new Justice Center Building. The Justice Center Fund had a fund balance of \$3,263,238 at June 30, 2003.
5. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a zero balance at June 30, 2003. The Jail Fund received \$183,564 for intergovernmental fees, primarily for housing prisoners. The General Fund contributed \$807,602 to the jail operations.
6. The State Grants Fund had a fund balance of \$64,285, a decrease of \$60,110 over the previous fiscal year end.
7. The Federal Grants Fund had a fund balance of \$117,835, an increase of \$1,303 over the previous fiscal year end.
8. The Local Government Economic Development Fund (LGED Fund) is used to account for the single county coal severance tax projects. The LGED Fund had a fund balance of \$95,531 at June 30, 2003. The LGED Fund received \$283,176 in coal severance grant funds and expended \$395,124.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Harlan County has one (1) enterprise-type proprietary fund:

- Jail Canteen Fund

The Jail Canteen Fund's unrestricted net assets at the end of June 30, 2003 fiscal year, amounted to \$64,298 and total assets were \$70,755.

Harlan County
Management's Discussion and Analysis
June 30, 2003
(Continued)

General Fund Budgetary Highlights.

Harlan County's General Fund budget was amended during the fiscal year increasing the budgeted amount by 2,465,157. Budget amendments were made to various expenditures due to grants awarded in the fiscal year, surplus cash carried forward, and an increase in actual tax revenue.

Actual revenues were \$1,144,690 short of the budget. This variance was primarily due to Intergovernmental Revenue. Expenditures on some grants were not reimbursed until after the end of the fiscal year.

Capital Assets and Debt Administration.

Capital Assets. Harlan County's investment in capital assets for its government and business type activities as of June 30, 2003, amount to \$12,575,392 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, current infrastructure additions, construction in progress for Justice Center and Animal Shelter Buildings. Harlan County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2003 fiscal year included the continued construction of a justice center building, an animal shelter building, bridges and the resurfacing of various roads.

Additional information of the County's capital assets can be found in Note 4 of this report.

Table 2
Harlan County's Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2002	2003	2002	2003	2002	2003
Infrastructure Assets	0	1,094,975	0	0	0	1,094,975
Land	1,155,348	1,273,048	0	0	1,155,348	1,273,048
Const. In Progress	563,016	4,135,546	0	0	563,016	4,135,546
Bldgs. & Improvements	5,416,332	5,592,586	0	0	5,416,332	5,592,586
Other Equip.	0	0	0	0	0	0
Vehicles & Equip.	518,594	472,780	10,608	6,457	529,202	479,237
Total Net Capital Assets	7,653,290	12,568,935	10,608	6,457	7,663,898	12,575,392

Long-Term Debt. At the end of the 2003 fiscal year, Harlan County had total bonded debt outstanding of \$9,120,000. The totals are as follows: Harlan County Justice Center Revenue Bonds \$9,120,000.

**Harlan County
Management's Discussion and Analysis
June 30, 2003
(Continued)**

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2004 fiscal year budget:

- The 2004 fiscal year adopted budget continues most services at current levels.
- Program cuts at the State level may have a negative impact on funding for county programs.
- The cost of housing prisoners will continue to have a negative impact on available funds.
- Economic factors indicate continued growth for Harlan County.

As of the date of this audit, Harlan County has issued \$6,000,000 General Obligation Bonds for the construction of a new detention facility.

Requests For Information.

This financial report is designed to provide a general overview of Harlan County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Harlan County Treasurer, P. O. Box 1589, Harlan, Kentucky 40831.

THIS PAGE LEFT BLANK INTENTIONALLY

HARLAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2003

HARLAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2003

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,613,923	\$ 64,298	\$ 6,678,221
Notes Receivable (Note 3)	100,000		100,000
Total Current Assets	\$ 6,713,923	\$ 64,298	\$ 6,778,221
Noncurrent Assets:			
Capital Assets - Net of			
Accumulated Depreciation:			
Construction In Progress	4,135,546		4,135,546
Land	1,273,048		1,273,048
Buildings	5,592,586		5,592,586
Vehicles and Equipment	472,780	6,457	479,237
Infrastructure Assets - Net			
of Depreciation	1,094,975		1,094,975
Total Noncurrent Assets	12,568,935	6,457	12,575,392
 Total Assets	 19,282,858	 70,755	 19,353,613
LIABILITIES			
Current Liabilities:			
Bonds Payable	270,000		270,000
Financing Obligations Payable	265,000		265,000
Noncurrent Liabilities:			
Bonds Payable	8,850,000		8,850,000
Total Liabilities	9,385,000		9,385,000
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	3,183,935	6,457	3,190,392
Restricted for :			
Capital Projects	3,263,238		3,263,238
Grant Monies	277,651		277,651
Unrestricted	3,173,034	64,298	3,237,332
Total Net Assets	\$ 9,897,858	\$ 70,755	\$ 9,968,613

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HARLAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2003

HARLAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 2,951,379	\$ 350,093	\$ 712,909	\$
Protection to Persons and Property	1,161,079	47,523	533,492	1,465,899
General Health and Sanitation	1,168,856			
Social Services	39,183			
Recreation and Culture	312,094	37,302		
Roads	1,171,676		2,070,766	
Airports	545,041			
Interest on Long and Short Term Debt	565,921			
Capital Projects	10,125			
Total Governmental Activities	<u>7,925,354</u>	<u>434,918</u>	<u>3,317,167</u>	<u>1,465,899</u>
Business-type Activities:				
Jail Canteen Fund	89,281	102,842		
Total Business-type Activities	<u>89,281</u>	<u>102,842</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 8,014,635</u>	<u>\$ 537,760</u>	<u>\$ 3,317,167</u>	<u>\$ 1,465,899</u>

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Other Taxes
Excess Fees

Intergovernmental Revenues:

Restricted Investment Earnings
Unrestricted Investment Earnings
Miscellaneous Revenues
Accrued Interest Received
Good Faith Deposit

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

HARLAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2003
(Continued)

Net (Disbursements) Receipts and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Totals
\$ (1,888,377)	\$	\$ (1,888,377)
885,835		885,835
(1,168,856)		(1,168,856)
(39,183)		(39,183)
(274,792)		(274,792)
899,090		899,090
(545,041)		(545,041)
(565,921)		(565,921)
(10,125)		(10,125)
(2,707,370)		(2,707,370)
	13,561	13,561
0	13,561	13,561
\$ (2,707,370)	\$ 13,561	\$ (2,693,809)
\$ 1,105,282	\$	\$ 1,105,282
385,158		385,158
221,160		221,160
1,366,737		1,366,737
36,087		36,087
85,483		85,483
66,313	1,031	67,344
63,821		63,821
16,874		16,874
(182,400)		(182,400)
3,164,515	1,031	3,165,546
457,145	14,592	471,737
9,440,713	56,163	9,496,876
\$ 9,897,858	\$ 70,755	\$ 9,968,613

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HARLAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2003

HARLAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

	General Fund	Road And Bridge Fund	Local Government Economic Assistance Fund	Harlan County Justice Center Corporation Bond Fund	
ASSETS					
Cash and Cash Equivalents	\$ 2,719,386	\$ 5,337	\$ 348,311	\$ 3,263,238	.
Total Assets	<u>\$ 2,719,386</u>	<u>\$ 5,337</u>	<u>\$ 348,311</u>	<u>\$ 3,263,238</u>	:
FUND BALANCES					
Fund Balances:					
Reserved for:					
Encumbrances	\$ 463,710	\$ 109,644	\$ 165,023		
Grant Expenditures					
Unreserved:					
General Fund Type	2,255,676	(104,307)	183,288		
Special Revenue Fund Types					
Debt Service Fund Type				\$ 3,263,238	.
Total Fund Balances	<u>\$ 2,719,386</u>	<u>\$ 5,337</u>	<u>\$ 348,311</u>	<u>\$ 3,263,238</u>	:

The accompanying notes are an integral part of the financial statements.

HARLAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2003
(Continued)

Non- Major Funds	Total Governmental Funds
<u>\$ 277,651</u>	<u>\$ 6,613,923</u>
<u><u>\$ 277,651</u></u>	<u><u>\$ 6,613,923</u></u>

\$ 14,599	\$ 752,976
271,282	271,282
	2,334,657
(8,230)	(8,230)
<u> </u>	<u>3,263,238</u>
<u><u>\$ 277,651</u></u>	<u><u>\$ 6,613,923</u></u>

Reconciliation of the Balance Sheet- Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 6,613,923
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	15,769,190
Accounts Receivable	100,000
Depreciation	(3,200,255)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(265,000)
Bonded Debt	<u>(9,120,000)</u>
Net Assets of Governmental Activities	<u><u>\$ 9,897,858</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**HARLAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

For The Year Ended June 30, 2003

HARLAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

	General Fund	Road And Bridge Fund	Local Government Economic Assistance Fund	Harlan County Justice Center Corporation Bond Fund
REVENUES				
Taxes	\$ 2,752,571	\$	\$	\$
In Lieu Tax Payments	8,996	66		
Excess Fees	36,087			
Intergovernmental	2,425,060	1,029,909	1,221,918	
Charges for Services	356,445			
Miscellaneous	45,285	5,064		
Interest	56,770	2,600	6,943	84,180
Total Revenues	<u>5,681,214</u>	<u>1,037,639</u>	<u>1,228,861</u>	<u>84,180</u>
EXPENDITURES				
General Government	1,585,898		13,946	117,700
Protection to Persons and Property	212,685		43,103	
General Health and Sanitation	641,374		460,281	
Social Services	30,907			
Parks and Recreation	125,865		134,757	
Roads		1,648,686	676,647	
Airports	507,747			
Debt Service	69,200			1,927,635
Capital Projects	10,125			3,684,440
Administration	763,767	165,663		
Total Expenditures	<u>3,947,568</u>	<u>1,814,349</u>	<u>1,328,734</u>	<u>5,729,775</u>
Excess (deficiency) of Revenues Over Expenditures Before Others				
Financing Sources (Uses)	<u>1,733,646</u>	<u>(776,710)</u>	<u>(99,873)</u>	<u>(5,645,595)</u>
Other Financing Sources (Uses)				
Bond Issuance				9,120,000
Discount on Bond Issuance				(182,148)
Accrued Interest Received				16,874
Cost of Bond Issuance				(81,534)
Good Faith Deposit				(182,400)
Transfers From Other Funds		718,859		
Transfers To Other Funds	(1,526,461)			
Total Other Financing Sources (Uses)	<u>(1,526,461)</u>	<u>718,859</u>	<u></u>	<u>8,690,792</u>
Net Change in Fund Balances	207,185	(57,851)	(99,873)	3,045,197
Fund Balances - Beginning	2,512,201	63,188	448,184	218,041
Fund Balances - Ending	<u>\$ 2,719,386</u>	<u>\$ 5,337</u>	<u>\$ 348,311</u>	<u>\$ 3,263,238</u>

The accompanying notes are an integral part of the financial statements.

HARLAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
For The Year Ended June 30, 2003
(Continued)

Non- Major Funds	Total Governmental Funds
\$	\$ 2,752,571
	9,062
	36,087
466,740	5,143,627
4,362	360,807
43,726	94,075
1,303	151,796
516,131	8,548,025
256,056	1,973,600
861,195	1,116,983
90,714	1,192,369
5,949	36,856
20,008	280,630
68,383	2,393,716
	507,747
43,001	2,039,836
	3,694,565
149,182	1,078,612
1,494,488	14,314,914
(978,357)	(5,766,889)
	9,120,000
	(182,148)
	16,874
	(81,534)
	(182,400)
807,602	1,526,461
	(1,526,461)
807,602	8,690,792
(170,755)	2,923,903
448,406	3,690,020
\$ 277,651	\$ 6,613,923

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**HARLAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2003

HARLAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 2,923,903
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	5,284,133
Depreciation Expense	(368,488)
The issuance of long-term debt (e.g. bonds) provide current financial resources to governmental funds. These transactions, however, have no effect on net assets.	
Revenue Bonds Issued	(9,120,000)
Financing obligations are expensed in the governmental funds as a use of current financial resources.	
KADD Financing Obligation	30,000
KEDFA Financing Obligations	49,127
Other Financing Obligations	20,050
Bond Anticipation Note	<u>1,638,420</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 457,145</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HARLAN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS
June 30, 2003

HARLAN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2003

	Business-Type Activities - Enterprise Fund	Jail Canteen Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 64,298	
Total Current Assets	<u>64,298</u>	
Noncurrent Assets:		
Capital Assets:		
Vehicles and Equipment	<u>6,457</u>	
Total Noncurrent Assets	<u>6,457</u>	
Total assets	<u>70,755</u>	
Liabilities		
Total Liabilities	<u>0</u>	
Net Assets		
Invested in Capital Assets, Net of Related Debt	6,457	
Unrestricted	<u>64,298</u>	
Total Net Assets	<u>\$ 70,755</u>	

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HARLAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

HARLAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 102,842
Total Operating Revenues	<u>102,842</u>
Operating Expenses	
Cost of Sales	(62,957)
Educational and Recreational	(2,841)
Personnel Costs	(11,810)
Depreciation	(4,151)
Miscellaneous	<u>(7,522)</u>
Total operating expenses	<u>(89,281)</u>
Operating Income (Loss)	<u>13,561</u>
Nonoperating Revenues (Expenses)	
Interest Income	1,031
Inmate State Pay	20,749
Inmate Refunds	<u>(20,749)</u>
Total Nonoperating Revenues (Expenses)	<u>1,031</u>
Change In Net Assets	<u>14,592</u>
Total Net Assets - Beginning	<u>56,163</u>
Total Net Assets - Ending	<u>\$ 70,755</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

HARLAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

HARLAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 102,842
Cost of Sales	(62,957)
Educational and Recreational	(2,841)
Personnel Costs	(11,810)
Miscellaneous	(7,522)
Net Cash Provided By Operating Activities	<u>17,712</u>
Cash Flows From Noncapital Financing Activities	
Inmate State Pay	20,749
Inmate Refunds on Accounts	(20,749)
Net Cash Used By Noncapital Financing Activities	<u>0</u>
Cash Flows From Capital and Related Financing Activities	
Net Cash (Used) By Capital and Related Financing Activities	<u>0</u>
Cash Flows From Investing Activities	
Interest Earned	<u>1,031</u>
Net Cash Provided By Investment Activities	<u>1,031</u>
Net (Decrease) in Cash and Cash Equivalents	18,743
Cash and Cash Equivalents - July 1, 2002	<u>45,555</u>
Cash and Cash Equivalents - June 30, 2003	<u><u>\$ 64,298</u></u>

The accompanying notes are an integral part of the financial statements.

HARLAN COUNTY
STATEMENT OF CASH FLOWS-
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2003
(Continued)

	Business-Type Activities Enterprise Fund
	Jail Canteen Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 13,561
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities-	
Depreciation Expense	<u>4,151</u>
Total Cash Provided By Operating Activities	<u><u>\$ 17,712</u></u>

The accompanying notes are an integral part of the financial statements.

HARLAN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

HARLAN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

	<u>Agency Funds</u>		
	State of Kentucky and Harlan County Esrow Fund	Clover Fork Nonstructural Flood Project Fund	Total Agency Funds
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 43,025	\$ 4,657	\$ 47,682
Total Assets	<u>\$ 43,025</u>	<u>\$ 4,657</u>	<u>\$ 47,682</u>
Liabilities			
Amounts Held In Custody For Others	\$ 43,025	\$ 4,657	\$ 47,682
Total Liabilities	<u>\$ 43,025</u>	<u>\$ 4,657</u>	<u>\$ 47,682</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	49
NOTE 2.	DEPOSITS.....	56
NOTE 3.	NOTE RECEIVABLE	56
NOTE 4.	CAPITAL ASSETS	57
NOTE 5.	LONG-TERM DEBT	58
NOTE 6.	SHORT-TERM DEBT.....	60
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	61
NOTE 8.	DEFERRED COMPENSATION	61
NOTE 9.	INSURANCE	62
NOTE 10.	SUBSEQUENT EVENTS	62
NOTE 11.	CHANGES IN ACCOUNTING PRINCIPLES.....	62

**HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expenses is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Harlan County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes an organization that is legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or whose exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as that of the primary government.

Blended Component Unit

The following legally separate organization provide it's services exclusively to the primary government and the fiscal court is able to impose it will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Harlan County Justice Center Expansion Corporation

The Harlan County Fiscal Court has to approve the issue of bonded debt for the Justice Center Expansion Corporation; therefore, the Justice Center Expansion Corporation is fiscally dependent. In addition, the Fiscal Court leases the justice center from the Justice Center Expansion Corporation for the amount of the bond payments. Financial information for the Justice Center Expansion Corporation is blended within Harlan County Fiscal Court's financial statements.

The Kentucky constitution provides for election of the officials below from the geographic area constituting Harlan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Harlan County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods and services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of governmental programs.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide Financial Statements (Continued)

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting, as do the proprietary and fiduciary financial statements. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

D. Fund Financial Statements

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues and expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fund Financial Statements (Continued)

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund (LGEA) - This fund is used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Harlan County Justice Center Corporation Bond Fund - The Harlan County Justice Center Corporation Bond Fund accounts for the activities of the Harlan County Justice Center Corporation, a blended component unit of the county. The Harlan County Justice Center Corporation issued debt to build facilities for the justice center. The Harlan County Justice Center Corporation entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

The primary government also has the following non-major funds: Jail Fund, State Grants Fund, Federal Grants Fund, and Local Government Economic Development Fund,

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Federal Grants Fund, Local Government Economic Development Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund

The Harlan County Justice Center Corporation Bond Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fund Financial Statements (Continued)

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

All fiduciary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency funds are used to account for monies held by the county in the State of Kentucky and Harlan County Escrow Fund, and the Cloverfork Non-Structural Fund Project Fund for custodial purposes only. Unlike other funds, the agency funds report assets and liabilities only.

State of Kentucky and Harlan County Escrow Fund – During the 1980's, the State of Kentucky discovered Harlan County was operating an illegal landfill. In lieu of a fine, the parties agreed to establish a bank account for payment of services, as specified by the state. As of June 30, 2003, the escrow balance was \$43,025.

During calendar year 2001, the county agreed to the establishment of an escrow account for the payment of the Cloverfork Non-Structural Fund Project. As of June 30, 2003, the escrow balance was \$4,657.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	50,000	10-75
Building Improvements	50,000	10-75
Machinery and Equipment	5,000	3-25
Vehicles	5,000	3-10
Infrastructure	25,000	10-50

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the statement of net assets and statement of activities, however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Harlan County Fiscal Court: Green Hills Water District, Black Mountain Water District, Cawood Water District, Harlan County Public Library, Harlan County Health District, and the Harlan County Extension District.

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the primary government and component unit's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

Note 3. Note Receivable

Harlan County Industrial Foundation

On November 24, 1993, the county loaned \$100,000 to the Harlan County Industrial Development Authority, Incorporated (the Authority). These funds were loaned to the Authority to be held by the First National Bank and Trust Company as additional security for a mortgage entered into by the Authority to finance property leased to T.L. Bane Incorporated. These funds were used by the Authority to purchase a certificate of deposit, which earns interest at the rate of 4.75% and an annual yield of 4.84%. The interest is paid quarterly to the authority and then is forwarded to the county. During the fiscal year June 30, 2003, the Authority received and forwarded a total of \$5,350 in interest to the fiscal court. As of June 30, 2003, the principal balance due to the fiscal court was \$100,000.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2003 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,155,348	\$ 117,700	\$	\$ 1,273,048
Construction In Progress	563,016	3,876,074	303,544	4,135,546
Total Capital Assets Not Being Depreciated	1,718,364	3,993,774	303,544	5,408,594
Capital Assets, Being Depreciated:				
Buildings	7,284,198	303,544		7,587,742
Vehicles and Equipment	1,482,495	80,549		1,563,044
Infrastructure		1,209,810		1,209,810
Total Capital Assets Being Depreciated	8,766,693	1,593,903		10,360,596
Less Accumulated Depreciation For:				
Buildings	(1,867,866)	(127,290)		(1,995,156)
Vehicles and Equipment	(963,901)	(126,363)		(1,090,264)
Infrastructure		(114,835)		(114,835)
Total Accumulated Depreciation	(2,831,767)	(368,488)		(3,200,255)
Total Capital Assets, Being Depreciated, Net	5,934,926	1,225,415		7,160,341
Government Activities Capital Assets, Net	<u>\$ 7,653,290</u>	<u>\$ 5,219,189</u>	<u>\$ 303,544</u>	<u>\$ 12,568,935</u>
<u>Business-type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 23,061	\$ 0	\$ 0	\$ 23,061
Less Accumulated Depreciation For:				
Vehicles and Equipment	(12,453)	(4,151)		(16,604)
Business-type Activities Capital Assets, Net	\$ 10,608	\$ (4,151)	\$ 0	\$ 6,457

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 65,716
Protection to Persons and Property	44,096
General Health and Sanitation	11,520
Social Services	2,327
Recreation and Culture	31,464
Roads	176,071
Airports	37,294
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 368,488</u>

Business-type Activities

Jail Canteen	<u>\$ 4,151</u>
Total Depreciation Expense - Business Activities	<u>\$ 4,151</u>

Note 5. Long-Term Debt

A. KADD

On January 11, 2001, the Harlan County Fiscal Court entered into an agreement with the Kentucky Area Development District Funding Trust Program for the financing of repairs on its Detention Facility. The principal amount of the agreement was \$300,000 at an effective interest rate of 4.63 percent with principal payments of \$15,000, \$30,000, and \$255,000 over a period of three years. The principal outstanding as of June 30, 2003 is \$255,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2004	<u>\$ 255,000</u>	<u>\$ 6,153</u>

B. KEDFA

On October 8, 2001, the county entered into an agreement with the Kentucky Economic Development Finance Authority (KEDFA) to settle a matter concerning T.L. Bayne Company, Inc. for \$80,000. Terms of the agreement require monthly payments of \$3,333 for two years at an interest rate of 0.00% for two years. As of June 30, 2003, the principal balance was \$10,000.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Long-Term Debt (Continued)

B. KEDFA (Continued)

Future principal payment is:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2004	\$ 10,000	\$

C. Bonds

On July 16, 2002, the Harlan County Public Properties Corporation issued Revenue bonds for the completion of construction on the Harlan, Kentucky Justice Center. Further, a lease agreement was entered into by the Harlan County, Kentucky Justice Center Corporation and the Administrative Office of the Courts of the Commonwealth of Kentucky (AOC), in which the AOC agrees to pay the bonds over their amortizable life.

The bonds require two semiannual interest payments be made on January 1 and July 1 of each year beginning January 1, 2003. One principal payment is due on July 1 of each year beginning July 1, 2004. Bonds will mature July 1, 2025. As of June 30, 2003, the principal amount outstanding was \$9,120,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Interest	Principal
2005	\$ 404,984	\$ 270,000
2006	395,196	280,000
2007	384,696	285,000
2008	374,009	295,000
2009	362,946	305,000
2010-2014	1,630,439	1,695,000
2015-2019	1,238,747	2,095,000
2020-2024	708,299	2,645,000
2025-2026	94,500	1,250,000
Totals	\$ 5,593,816	\$ 9,120,000

D. Lease Purchase Agreement

On February 20, 1997 the County entered into a financing obligation with the IBM Corporation for the purchase of a computer system. Terms of the agreement call for five annual payments of \$20,050 beginning July 1, 1998. As of June 30, 2003 the principal amount due had been paid in full.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Long-term Debt (Continued)

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2003, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 0	\$ 9,120,000	\$ 0	\$ 9,120,000	\$ 270,000
Kentucky Area Development					
District Funding Trust Program	285,000		30,000	255,000	255,000
KEDFA Financing Obligation #1	5,795		5,795	-	
KEDFA Financing Obligation #2	53,332		43,332	10,000	10,000
Lease Purchase Agreement	20,050		20,050	-	
Governmental Activities					
Long-term Liabilities	<u>\$ 364,177</u>	<u>\$ 9,120,000</u>	<u>\$ 99,177</u>	<u>\$ 9,385,000</u>	<u>\$ 535,000</u>

Note 6. Short-Term Debt

A. Bond Anticipation Notes

On March 15, 2002 and March 28, 2002, Harlan County issued \$16,450 and \$1,621,970 respectively of bond anticipation notes to be used for the beginning stages of the Harlan County Justice Center. The principal amount of these notes plus accrued interest was paid in full on August 1, 2002 from the proceeds of bonds issued.

B. Kentucky Advanced Revenue Program

In July 2003, Harlan County participated in the Kentucky Association of Counties Advanced Revenue Program by issuing a note in the amount of \$2,729,500, with principal being due June 30, 2003. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advanced Revenue Program of \$15,946.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 6. Short-Term Debt (Continued)

C. Changes in Short Term Liabilities

Short-term liability activity for the year ended June 30, 2003, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
Bond Anticipation Notes	\$ 1,638,420	\$ 0	\$ 1,638,420	\$ 0
Kentucky Advanced Revenue Program	0	2,729,500	2,729,500	0
Governmental Activities Short-term Liabilities	<u>\$ 1,638,420</u>	<u>\$ 2,729,500</u>	<u>\$ 4,367,920</u>	<u>\$ 0</u>

Note 7. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 8. Deferred Compensation

On February 10, 2003, the Harlan County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 9. Insurance

For the fiscal year ended June 30, 2003, Harlan County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Subsequent Events

A. General Obligation Improvement Bonds, (Detention Facility Project) Series 2004

The Harlan County Fiscal Court issued obligations in the amount of \$6,000,000, dated September 1, 2004 and payable in eleven (11) annual installments beginning September 1, 2006 and eight (8) biennial payments beginning September 1, 2018. Semi-annual interest payments at varying interest rates ranging from 2.0% to 4.87% are due on March 1st and September 1st of each year commencing March 1, 2005. The bonds were issued for the purpose of financing construction of the Harlan County Detention Center.

B. Financing Obligation

The County entered into an agreement with Deere Credit, Inc. on July 1, 2003, for the purchase of a JD 670Ch 2003 Motor Grader, at a cost of \$124,987. The terms of the lease require forty-eight (48) monthly payments of \$2,817 each, beginning August 1, 2003.

Note 11. Changes in Accounting Principles

The county has elected to implement Governmental Accounting Standards Board (GASB) Statements 33, 34, and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The beginning net asset balance for governmental activities was \$9,440,713 and the beginning fund balance was \$3,790,020 for an increase of \$5,650,693 that was due to capital assets previously omitted.

The beginning net asset balance of the business-type activities was \$56,163 and the beginning fund balance was \$45,555 for an increase of \$10,608 that was due to capital assets previously omitted.

**HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULES
REQUIRED SUPPLEMENTARY INFORMATION**

For The Year Ended June 30, 2003

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2003

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,945,700	\$ 1,967,700	\$ 2,752,571	\$ 784,871
In Lieu Tax Payments	2,540	2,540	8,996	6,456
Excess Fees	2,600	2,600	36,087	33,487
Intergovernmental Revenue	2,073,500	4,491,164	2,425,059	(2,066,105)
Charges for Services	305,000	305,000	356,445	51,445
Miscellaneous	16,900	16,900	45,286	28,386
Interest	40,000	40,000	56,770	16,770
Total Revenues	<u>4,386,240</u>	<u>6,825,904</u>	<u>5,681,214</u>	<u>(1,144,690)</u>
EXPENDITURES				
General Government	1,567,604	1,660,109	1,585,898	74,211
Protection to Persons and Property	187,516	216,666	212,685	3,981
General Health and Sanitation	461,161	777,746	641,374	136,372
Social Services	25,000	35,504	30,907	4,597
Parks and Recreation	150,000	139,294	125,865	13,429
Airport	183,300	2,212,138	507,747	1,704,391
Debt Service	65,870	69,210	69,200	10
Capital Projects	26,837	26,837	10,125	16,712
Administration	784,216	779,157	763,767	15,390
Total Expenditures	<u>3,451,504</u>	<u>5,916,661</u>	<u>3,947,568</u>	<u>1,969,093</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>934,736</u>	<u>909,243</u>	<u>1,733,646</u>	<u>824,403</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out to Other Funds	<u>(1,816,256)</u>	<u>(2,155,856)</u>	<u>(1,526,461)</u>	<u>629,395</u>
Total Other Financing Sources and Uses	<u>(1,816,256)</u>	<u>(2,155,856)</u>	<u>(1,526,461)</u>	<u>629,395</u>
Net Changes in Fund Balances	(881,520)	(1,246,613)	207,185	1,453,798
Fund Balances - Beginning	<u>881,520</u>	<u>1,246,613</u>	<u>2,612,201</u>	<u>1,365,588</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,819,386</u>	<u>\$ 2,819,386</u>

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2003
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
In Lieu Tax Payments	\$ 200	\$ 200	\$ 66	\$ (134)
Intergovernmental Revenue	928,600	963,154	1,029,909	66,755
Miscellaneous	1,000	1,000	5,064	4,064
Interest	3,000	3,000	2,600	(400)
Total Revenues	932,800	967,354	1,037,639	70,285
EXPENDITURES				
Roads	1,739,500	2,130,734	1,648,686	482,048
Debt Service				
Capital Projects				
Administration	193,300	196,620	165,663	30,957
Total Expenditures	1,932,800	2,327,354	1,814,349	513,005
Excess (Deficiency) of Revenues Over Expenditures	(1,000,000)	(1,360,000)	(776,710)	583,290
OTHER FINANCING SOURCES (USES)				
Transfers In From Other Funds	1,000,000	1,300,000	718,859	(581,141)
Total Other Financing Sources and Uses	1,000,000	1,300,000	718,859	(581,141)
Net Changes in Fund Balances		(60,000)	(57,851)	2,149
Fund Balances - Beginning		60,000	63,188	3,188
Fund Balances - Ending	\$ 0	\$ 0	\$ 5,337	\$ 5,337

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2003
(Continued)

LOCAL GOVERNMENT
ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 930,000	\$ 1,005,000	\$ 1,221,918	\$ 216,918
Interest	2,000	2,000	6,943	4,943
Total Revenues	932,000	1,007,000	1,228,861	221,861
EXPENDITURES				
General Government	35,000	25,000	13,946	11,054
Protection to Persons and Property	50,000	50,000	43,103	6,897
General Health and Sanitation	416,362	513,862	460,281	53,581
Recreation and Culture	121,500	158,500	134,757	23,743
Roads	509,138	694,638	676,647	17,991
Total Expenditures	1,132,000	1,442,000	1,328,734	113,266
Excess (Deficiency) of Revenues Over Expenditures	(200,000)	(435,000)	(99,873)	335,127
Net Changes in Fund Balances	(200,000)	(435,000)	(99,873)	335,127
Fund Balances - Beginning	200,000	435,000	448,184	13,184
Fund Balances - Ending	\$ 0	\$ 0	\$ 348,311	\$ 348,311

**HARLAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For The Year Ended June 30, 2003

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. A formal budget was not adopted for the Harlan County Justice Center Corporation Bond Fund.

The State Local Finance Officer does not require the Harlan County Justice Center Corporation Bond Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to this fund and these transfers are budgeted in the governmental funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

HARLAN COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2003

HARLAN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2003

	<u>Jail Fund</u>	<u>State Grant Fund</u>	<u>Federal Grant Fund</u>	<u>LGED Fund</u>
ASSETS				
Cash	\$	\$ 64,285	\$ 117,835	\$ 95,531
Total Assets	<u>\$ 0</u>	<u>\$ 64,285</u>	<u>\$ 117,835</u>	<u>\$ 95,531</u>
FUND BALANCES				
Fund Balances:				
Reserved for:				
Encumbrances	\$ 8,230	\$ 1,624	\$	\$ 4,745
Grant Expenditures		62,661	117,835	90,786
Unreserved:				
Special Revenue Fund Type	<u>(8,230)</u>			
Total Fund Balances	<u>\$ 0</u>	<u>\$ 64,285</u>	<u>\$ 117,835</u>	<u>\$ 95,531</u>

HARLAN COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2003
(Continued)

Total Non-Major Governmental Funds	
<hr/>	
\$	277,651
\$	277,651
<hr/>	

\$ 14,599
271,282

<hr/>	
\$	277,651
<hr/>	

THIS PAGE LEFT BLANK INTENTIONALLY

HARLAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2003

HARLAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2003

	Jail Fund	State Grant Fund	Federal Grant Fund	LGED Fund
REVENUES				
Intergovernmental	\$ 183,564	\$	\$	\$ 283,176
Charges for Services	4,362			
Miscellaneous	43,726			
Interest			1,303	
Total Revenues	<u>231,652</u>	<u></u>	<u>1,303</u>	<u>283,176</u>
EXPENDITURES				
General Government				256,056
Protection to Persons and Property	847,071			14,124
General Health and Sanitation		60,110		30,604
Social Services				5,949
Parks and Recreation				20,008
Roads				68,383
Debt Service	43,001			
Administration	149,182			
Total Expenditures	<u>1,039,254</u>	<u>60,110</u>	<u></u>	<u>395,124</u>
Excess (deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(807,602)</u>	<u>(60,110)</u>	<u>1,303</u>	<u>(111,948)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	807,602			
Bond Proceeds				
Total Other Financing Sources (Uses)	<u>807,602</u>	<u></u>	<u></u>	<u></u>
Net Change in Fund Balances		(60,110)	1,303	(111,948)
Fund Balances - Beginning		124,395	116,532	207,479
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 64,285</u>	<u>\$ 117,835</u>	<u>\$ 95,531</u>

HARLAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2003
(Continued)

Total Non-Major Governmental Funds	
<hr/>	
\$	466,740
	4,362
	43,726
	1,303
	<hr/>
	516,131
	<hr/>
	256,056
	861,195
	90,714
	5,949
	20,008
	68,383
	43,001
	149,182
	<hr/>
	1,494,488
	<hr/>
	(978,357)
	<hr/>
	807,602
	8,772,326
	<hr/>
	9,579,928
	<hr/>
	(170,755)
	448,406
	<hr/>
\$	277,651
	<hr/>

THIS PAGE LEFT BLANK INTENTIONALLY

HARLAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Other Supplementary Information

Fiscal Year Ended June 30, 2003

HARLAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Other Supplementary Information

Fiscal Year Ended June 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Harlan County, Kentucky
2. There were no reportable conditions relating to the internal control of the audit of the financial statements reported in the Independent Auditor's Report.
3. There were two instances of noncompliance material to the financial statements of Harlan County which were disclosed during the audit.
4. There were three reportable conditions relating to the audit of the major federal awards programs which are reported in the Independent Auditor's Report.
5. There were no reportable conditions relating to the audit of non-major federal awards programs.
6. The auditor's report on compliance for the audit of the major federal awards programs for Harlan County expresses an unqualified opinion and one noncompliance with laws and regulations.
7. Audit findings relative to the federal awards programs for Harlan County are reported in Parts C of the schedule of findings and questioned costs.
8. The programs tested as major programs were: Tucker Guthrie Memorial Airport Development Grant and Public Assistance Grant
9. The threshold for distinguishing Type A and B programs was \$300,000.
10. Harlan County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Reference Number 2003-1

The County Should Obtain Bids For All Expenditures Over \$20,000

The county did not advertise for bids for all expenditures over \$20,000. According to KRS 424.260 (2) the fiscal court should advertise for all items, other than professional services, involving an expenditure of more than twenty thousand dollars (\$20,000). We recommend the fiscal court comply with KRS 424.260 (2) by advertising for all expenditures of \$20,000.

County Judge/Executive Joseph A. Grieshop's Response:

Sugar Ridge had bid. County purchased some materials directly which they deducted from the contract. The County engineer did bid on Bill Clark contract.

Reference Number 2003-2

The Fiscal Court Should Review The Administrative Code

The Fiscal Court did not review the administrative code during the month of June as required by KRS 68.005(2). KRS 68.005(2) states "The fiscal court shall review the county administrative code annually during the month of June and may by a two-thirds majority of the entire fiscal court amend the county administrative code at that time. The county judge/executive may at other times prepare and submit amendments to the code for the approval of a majority of the fiscal court." We recommend the Fiscal Court comply with KRS 68.005(2) by annually reviewing the administrative code.

County Judge/Executive Joseph A. Grieshop's Response:

No problem.

HARLAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2003
(Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

Reference Number 2003-3

The Fiscal Court Should Prepare A Schedule Of Expenditures Of Federal Awards

OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organization, section 310(B) requires the auditee to prepare a schedule of expenditures of federal awards covered by the auditee's financial statements. At a minimum, the schedule shall include:

- List individual Federal programs by Federal Agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For Example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- Include notes that describe the significant accounting policies used in preparing the schedule.
- To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

County Judge/Executive Joseph A. Grieshop's Response:

We will do this in the future.

Reference Number 2003-4

The County Should Monitor Compliance With The Davis-Bacon Act

The county paid a total of \$72,282 for work done on the Airport Extension Project, but did not monitor compliance with the Davis Bacon Act. The Davis Bacon Act requires that all laborers or mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal funds must be paid wages not less than those established for the locality of the project. Non-federal entities shall include in their construction contracts subject to Davis Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis Bacon Act and the Department of Labor regulations (29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction).

HARLAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2003
(Continued)

Reference Number 2003-4 (Continued)

The County Should Monitor Compliance With The Davis-Bacon Act

This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance. We tested compliance with the Davis Bacon Act and found no instances of noncompliance, however the fiscal court did not monitor for compliance with this requirement. We recommend the county monitor compliance with the Davis Bacon Act by requiring all contractors and subcontractors who work on construction contracts in excess of \$2,000 which is financed by federal funds to submit weekly payrolls and a statement of compliance.

County Judge/Executive Joseph A. Grieshop's Response:

We will do this in the future.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT (Continued)

Reference Number 2003-5

The County Should Require Contractors To Submit Required Certifications Regarding Suspension and Debarment For Work Done On Federal Projects

During our test of expenditures of the Federal Emergency Management Agency, the county could not provide copies of the certifications regarding suspension and debarment as required for contractors who perform work on projects funded with federal dollars. We tested the contractors for compliance with this requirement and found no instances of noncompliance; however the county did not require contractors to submit the required certifications. We recommend the county require all contractors performing work on projects funded with federal monies submit the required certifications regarding suspension and debarment.

County Judge/Executive Joseph A. Grieshop's Response:

Agrees.

Reference Number 2003-6

The County Should Comply With Terms of The Grant Agreement With The Federal Emergency Management Agency

The county did not comply with terms of the grant agreement with the Federal Emergency Management Agency. The county did not submit quarterly progress reports on all projects for monies reimbursed from the Federal Emergency Management Agency for FEMA-1407-DR-KY. The agreement specifies that progress reports are to be submitted quarterly. We recommend the county comply with terms of the grant agreement by submitting progress reports quarterly.

County Judge/Executive Joseph A. Grieshop's Response:

Agrees.

THIS PAGE LEFT BLANK INTENTIONALLY

HARLAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HARLAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2003

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs :		
<u>U.S. Department of Justice</u>		
Direct Award		
Cops In School Award		
(CFDA # 16.710)	2001-SHW X0212	\$ 169,520
<u>U.S. Department of Aviation</u>		
Direct Award		
Airport Improvement Project		
Tucker Guthrie Memorial Airport		
Development Grant (CFDA # 20.106)	3-21-0022-02	\$ 116,593
Tucker Guthrie Memorial Airport		
Development Grant (CFDA # 20.106)	3-21-0022-03	331,527
Total U.S. Department of Aviation		\$ 448,120
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency		
Assistance Grants -		
Coordinator Salary		
(CFDA #83.503)	Not Available	\$ 1,539
Public Assistance Grant		
(CFDA #83.544)	FEMA -	
	1407DR KY	703,719
Total U.S. Federal Emergency Management Agency		\$ 705,258

HARLAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2003
(Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs: (Continued)		
<u>National Oceanic and Atmospheric Administration</u>		
Direct Award		
Pride Community Grant Project Rio-Vista Project (CFDA # 11.469)	SG01-02	\$ 50,000
Pride Community Grant Project 2001 Community Grant (CFDA # 11.469)	CF01-11	8,000
Pride Community Grant Project 2001 Fall Community Grant (CFDA # 11.469)	CF01-13	13,900
Pride Community Grant Project 2002 Fall Community Program (CFDA # 11.469)	CF02-08	<u>50,000</u>
Total National Oceanic and Atmospheric Administration		<u>\$ 121,900</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 1,444,798</u></u>

HARLAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2003

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Harlan County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

Honorable Joseph A. Grieshop, Harlan County Judge/Executive
Members of the Pulaski County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Harlan County, Kentucky, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 24, 2005. Harlan County prepares its financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harlan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Harlan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the schedule of findings and questioned costs.

- Reference 2003-1: The County Should Obtain Bids For All Expenditures Over \$20,000
- Reference 2003-2: The Fiscal Court Should Review The Administrative Code



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of Harlan County Fiscal Court and management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 24, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Joseph A. Grieshop, Harlan County Judge/Executive
Members of the Harlan County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Harlan County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Harlan County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Harlan County's management. Our responsibility is to express an opinion on Harlan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harlan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Harlan County's compliance with those requirements.

In our opinion, Harlan County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2003-6.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Harlan County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Harlan County's internal control over compliance that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Harlan County, Kentucky's ability to administer a major federal program in accordance with the applicable requirements of the laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-3, 2003-4, and 2003-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that all of the reportable conditions listed above are material weaknesses as described in the accompanying schedule of findings and questioned costs as items 2003-3, 2003-4, and 2003-5.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 24, 2005

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

HARLAN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

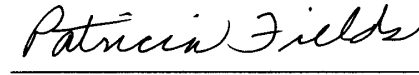
HARLAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Harlan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer